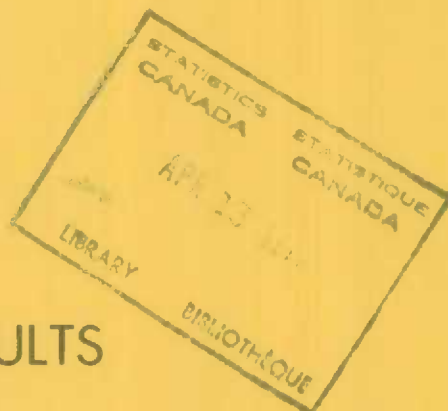


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GOVERNMENT OF CANADA



OPERATING RESULTS
OF
MISCELLANEOUS CHAIN STORES
1949

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OPERATING RESULTS OF MISCELLANEOUS CHAIN STORES 1949

VARIETY STORES - DRUG STORES - FURNITURE STORES

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Prepared in the Merchandising and Services Section
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NOTICE

The Industry and Merchandising Division of the Bureau of Statistics collects and compiles figures on (a) the primary industries in Canada — mining, forestry, and fishing; (b) manufacturing; (c) construction; and (d) merchandising and services.

For the purpose of annual compilation and publication, reports on merchandising and services have been classified as follows:

Part I — Wholesale Statistics

- A. General Review
- B. Wholesale Trade
- C. Operating Results of Food Wholesalers
- D. Operating Results of Dry Goods, Piece Goods, and Footwear Wholesalers
- E. Operating Results of Miscellaneous Wholesalers (automotive equipment, drugs, hardware, plumbing and heating equipment)

Part II — Retail Statistics

- F. General Review
- G. Retail Trade
- H. Department Store Sales and Stocks
- I. Retail Chain Stores
- J. Operating Results of Food Store Chains
- K. Operating Results of Clothing Store Chains
- L. Operating Results of Miscellaneous Chain Stores (variety, drug, furniture)

Part III — Services and Special Fields

- M. Laundries, Cleaners and Dyers
- N. Theatres
- P. Advertising Agencies (Memorandum)
- Q. Sales Financing
- R. Farm Implement and Equipment Sales
- AA. New Motor Vehicle Sales and Motor Vehicle Financing

The reports are punched to permit of filing in a ring binder.

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OPERATING RESULTS - LIST OF REPORTS

WHOLESALE TRADE (1947 and 1949)

1. Food Wholesalers
2. Dry Goods, Piece Goods and Footwear Wholesalers.
3. Miscellaneous Wholesalers (automotive equipment, drugs, hardware, heating and plumbing supplies).

INDEPENDENT RETAIL STORES (1944, 1945, 1946 and 1948)

1. Food Stores.
2. Clothing Stores.
3. Hardware, Furniture, Household Appliance and Radio Stores.
4. Filling Stations and Garages.
5. Miscellaneous Stores (country general, restaurants, fuel, drugs, jewellery and tobacco stores).

RETAIL CHAIN STORES (1947 and 1949)

1. Food Stores.
2. Clothing Stores.
3. Miscellaneous Stores (variety, drugs and furniture).

INTRODUCTION

The following explanatory notes describe certain features of the operating results series contained in this report.

Scope

Chain store firms are those which operate four or more retail outlets. Chain firms of three trades are covered in this bulletin — variety stores, drug stores and furniture stores.

Content

This bulletin deals with profit and loss statistics. Average gross and net profits and detailed operating expenses are shown for the most suitable sales-size classes. A breakdown of operating expenses between the functions of head office and warehouse is reported wherever possible. There were not enough firms in any of these trades to permit publication of regional results. There were no Newfoundland stores in this survey. Salaries of proprietors of unincorporated companies have been included with executive salaries. Income tax tabulation was made for incorporated companies only.

Purpose

The primary purpose of the operating costs surveys is to provide averages on the different phases of business operations against which firms in the same trade may make direct comparisons with their own operating results. They also provide useful information to others interested in the cost of distribution of consumer goods.

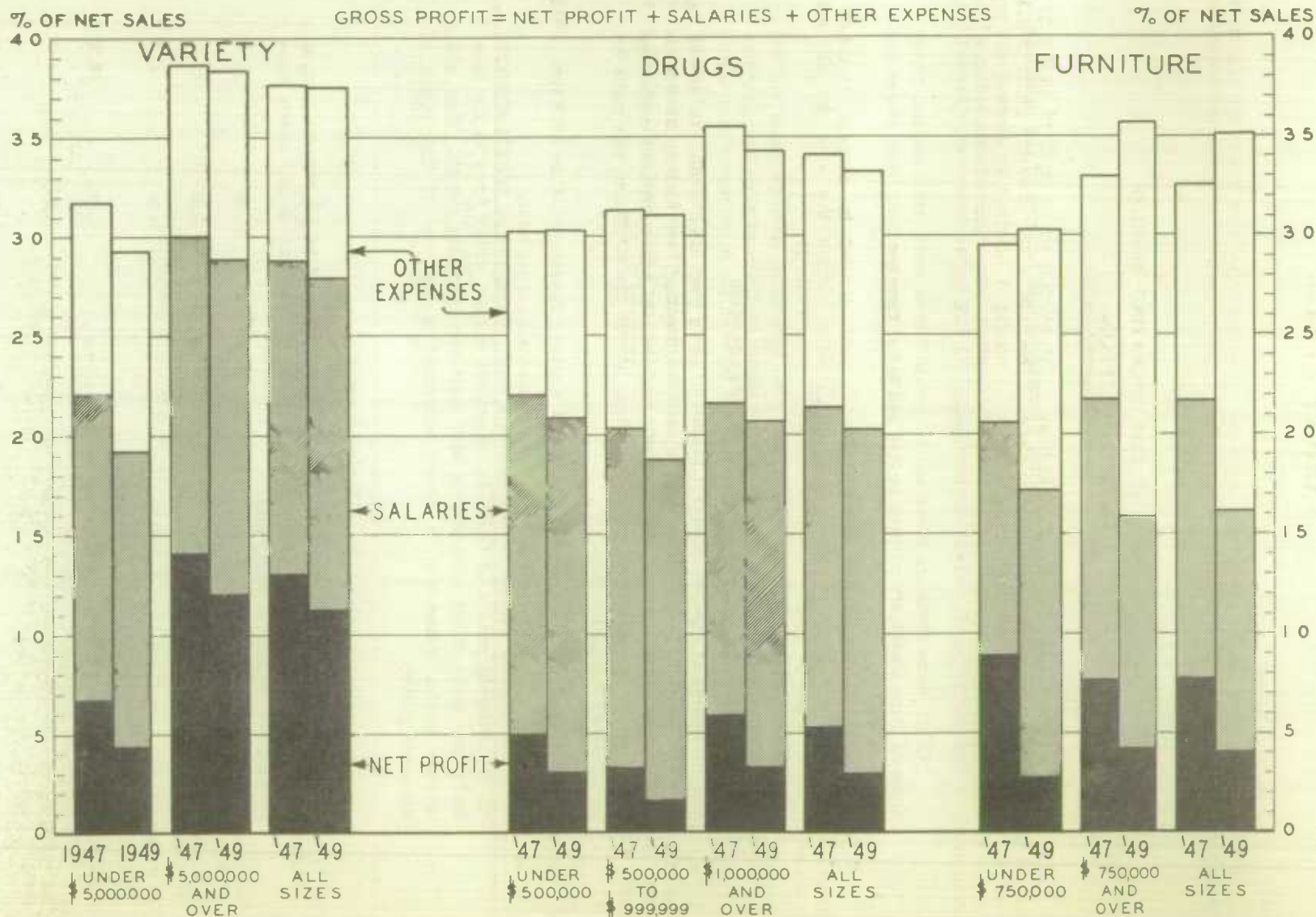
Period covered

This report deals mainly with 1949 operations and is the second biennial publication in a series begun in 1947. Certain summary tables and charts show comparative results for both years.

OPERATING RESULTS OF MISCELLANEOUS CHAIN STORES

1947 AND 1949

BY SIZE OF FIRM



VARIETY STORES

Eleven variety store chains submitted reports on 1949 operations. A total of 426 retail stores was opera-

ted by these firms. Ten of the 11 firms were incorporated companies for which income tax expense is shown.

REVIEW OF 1949 OPERATING RESULTS

Profit and Expense Ratios

There was a wide difference in the gross and net profits of the smaller and larger-size variety store chains in 1949. The larger firms obtained gross profits averaging 38.37% of net sales and a net operating profit of 12.01%. The smaller class operated on

an average gross profit of 29.37% of net sales and realized a net operating profit of 4.38%. All sizes combined obtained an average net profit of 11.29% which other income increased to a total net profit of 11.66% before deduction of income tax. (See Table 1)

Inventories and Stock Turnover

The average dollar volume of stock on hand was lower at the end of the year than at the beginning. Stock turnover rate — cost of goods

sold divided by average inventory — was 4.95 times during the year for all sizes combined. (See Table 1)

Incorporated Companies

All firms in the larger group and all except one in the smaller were incorporated companies with the result that 1949 profits and expenses were similar to those of all types. Other income

of 0.37% was added to a net operating profit amounting to 11.30% of net sales and income tax of 4.62% was deducted to leave a final net profit of 7.05%.

Operating Results of Incorporated Variety Stores by Size of Firm, 1949

(Items expressed as percentages of net sales)

Item	Firms with 1949 sales of		Total, all sizes
	Under \$5,000,000	\$5,000,000 and over	
	%	%	%
Gross profit.....	29.35	38.37	37.53
Operating expenses.....	24.99	26.36	26.23
Net operating profit.....	4.36	12.01	11.30
Other income	0.39	0.36	0.37
Net profit before income tax deduction	4.75	12.37	11.67
Income tax	1.86	4.91	4.62
Final net profit	2.89	7.46	7.05

Comparison of 1947 and 1949 Results

Sixteen firms submitted reports to the 1947 survey while 11 sent in figures on their 1949 business operations. The results for the two years are summarized below. Gross profit was little changed from 1947, but operating expenses in-

creased from 24.63% of net sales in 1947 to 26.23% in 1949. Net profit without other income and before deduction of income tax dropped from 13.04% in 1947 to 11.29% of net sales in 1949.

Main Operating Results Items for 1947 and 1949 Compared

(Items expressed as percentages of net sales)

Item	1947 (16 firms) %	1949 (11 firms) %
Gross profit	37.67	37.52
Operating expenses:		
Salaries.....	15.91	16.66
Occupancy.....	3.97	4.06
Supplies.....	0.82	1.00
All other.....	3.93	4.51
Total operating expenses	24.63	26.23
Net profit without other income and before deduction of income tax.....	13.04	11.29

TABLE 1. Operating Results of Chain Variety Stores, by Size of Firm, 1949

Item	Firms with 1949 sales of		Total all sizes
	Under \$5,000,000	\$5,000,000 and over	
Number of firms	6	5	11
Number of stores operated.....	86	340	426
Average sales per firm..... \$	2,093,724	24,271,021	12,174,314
Average cost of goods sold..... \$	1,478,747	14,959,437	7,606,334
Average inventory per firm:			
Beginning of year..... \$	335,862	3,081,336	1,583,805
Percent of net sales.....	16.04	12.70	13.01
End of year..... \$	295,748	2,920,426	1,488,784
Percent of net sales.....	14.13	12.03	12.23
Stock turnover (times per year).....	4.68	4.99	4.95
PROFIT AND LOSS DATA (Percent of net sales)			
Gross profit.....	29.37	38.37	37.52
Operating expenses:			
Salaries-executives.....	1.94	0.45	0.59
-other employees.....	12.93	16.39	16.07
Employees' benefits	0.18	0.50	0.47
Occupancy	4.17	4.05	4.06
Taxes ¹	0.51	0.38	0.39
Repairs ¹	0.67	0.23	0.27
Depreciation ¹	0.68	0.91	0.89
Supplies	0.81	1.02	1.00
Heat, light and power	0.61	0.64	0.64
Advertising.....	0.48	0.25	0.27
Travelling.....	0.39	0.17	0.19
Communication.....	0.19	0.17	0.17
Bad debt loss.....	2	2	2
All other expenses.....	1.43	1.20	1.22
Total operating expenses	24.99	26.36	26.23
Net operating profit.....	4.38	12.01	11.29
Other income	0.39	0.36	0.37
Total net profit before income tax deduction..	4.77	12.37	11.66

1. Excludes amount attributed to real estate which is included in occupancy.

2. Less than 0.005%.

DRUG STORES

Twenty chain store firms in this trade submitted reports on their 1949 operations. These firms operated 277 retail stores. Fifteen of the

20 chains were incorporated companies for which income tax and final profit ratios are shown.

REVIEW OF 1949 OPERATING RESULTS

Profit and Expense Ratios

Drug store chains operated on an average gross profit amounting to 33.27% of net sales. The larger sales-size classes obtained higher gross profits than did the smaller. Operating expenses

for all sizes were 30.28% of net sales leaving a net operating profit of 2.99%. Other income of 1.28% produced a final net profit before income tax deduction amounting to 4.27% of net sales. (See Table 2)

Inventories and Stock Turnover

Average dollar volume inventories increased from \$213,930 per firm at the beginning of the year to \$235,499 at the end of the year. This

increase was general for all size categories. The rate of stock turnover was 3.81 times per year. (See Table 2)

Incorporated Companies

The fifteen incorporated companies had profits and expenses similar to the "all firms" average. Net operating profit was increased from

2.69% of net sales to 4.05% by other income. Income tax amounting to 1.48% was deducted to leave a final net profit of 2.57% of net sales.

Operating Results of Incorporated Drug Stores, by Size of Firm, 1949

(Items expressed as percentages of net sales)

Item	Firms with 1949 sales of			Total, all sizes
	Under \$500,000	\$500,000 to \$999,999	\$1,000,000 and over	
	%	%	%	%
Gross profit	29.67	31.06	34.68	33.51
Operating expenses	27.27	29.45	31.63	30.82
Net operating profit	2.40	1.61	3.05	2.69
Other income	0.63	0.99	1.54	1.36
Total net profit before income tax deduction	3.03	2.60	4.59	4.05
Income tax	0.77	0.83	1.76	1.48
Final net profit	2.26	1.77	2.83	2.57

Comparison of 1947 and 1949 Results

Twenty-two firms reported to the 1947 survey while 20 sent in reports on their 1949 operations. The results of all firms reporting for each year are compared in summary form below. Increased operating

expenses together with reduced gross profits caused smaller net profits in 1949. Net profit before addition of other income or deduction of income tax dropped from 5.35% of net sales in 1947 to 2.99% in 1949.

Main Operating Results Items for 1947 and 1949 Compared

(Items expressed as percentages of net sales)

Item	1947 (22 firms) %	1949 (20 firms) %
Gross profit	34.18	33.27
Operating expenses:		
Salaries.....	16.07	17.33
Occupancy.....	4.69	4.62
Advertising.....	1.52	1.65
All other.....	6.55	6.68
Total operating expenses	28.83	30.28
Net profit without other income and before deduction of income tax	5.35	2.99

TABLE 2. Operating Results of Chain Drug Stores, by Size of Firm, 1949

Item	Firms with 1949 sales of			Total, all sizes
	Under \$500,000	\$500,000 to \$999,999	\$1,000,000 and over	
Number of firms.....	9	7	4	20
Number of stores operated.....	50	52	175	277
Average sales per firm..... \$	352,426	674,734	4,441,176	1,282,984
Average cost of goods sold..... \$	245,741	465,135	2,913,662	856,113
Average inventory per firm:				
Beginning of year..... \$	57,153	96,505	772,171	213,930
Percent of net sales.....	16.22	14.30	17.39	16.67
End of year..... \$	61,427	103,899	857,461	235,499
Percent of net sales.....	17.43	15.40	19.31	18.35
Stock turnover (times per year).....	4.14	4.64	3.58	3.81
PROFIT AND LOSS DATA (Percent of net sales)				
Gross profit	30.27	31.06	34.39	33.27
Operating expenses:				
Salaries-executives.....	3.17	1.66	1.27	1.58
-other employees.....	14.61	15.49	16.02	15.75
Employees' benefits.....	0.30	0.26	0.79	0.63
Occupancy.....	3.86	4.40	4.82	4.62
Taxes ¹	0.21	0.25	0.23	0.23
Repairs ¹	0.53	0.68	0.46	0.51
Depreciation ¹	0.64	0.94	0.92	0.89
Supplies.....	0.66	1.38	0.58	0.74
Heat, light and power.....	0.57	0.55	0.65	0.62
Advertising.....	1.08	1.04	1.91	1.65
Travelling.....	0.10	0.17	0.27	0.23
Communication.....	0.26	0.23	0.20	0.21
Bad debt loss.....	0.01	0.21	0.01	0.05
All other expenses.....	1.21	2.19	2.92	2.57
Total operating expenses	27.21	29.45	31.05	30.28
Net operating profit	3.06	1.61	3.34	2.99
Other income:				
Discounts earned.....	0.11	0.25	0.30	0.27
Interest earned.....	0.02	0.04	0.03	0.03
Bad debts recovered.....	—	0.04	—	0.01
Other.....	0.35	0.66	1.17	0.97
Total other income	0.48	0.99	1.50	1.28
Total net profit before income tax deduction	3.54	2.60	4.84	4.27

1. Excludes amount attributed to real estate which is in occupancy expense.

FURNITURE STORES

Ten firms reported on their 1949 operations. These firms were all of the incorporated type

of operation and did business through 65 retail outlets.

REVIEW OF 1949 OPERATING RESULTS

Profit and Expense Ratios

Furniture store chains obtained an average gross profit of 35.11% of net sales in 1949. Operating expenses formed 31.08% of net sales leaving a net operating profit of 4.03%. Other income of

3.70% increased this profit to 7.73% of net sales before deduction of income tax. Income tax amounted to 2.20%, leaving a final net profit of 5.53% of net sales. (See Table 3)

Inventory and Stock Turnover

Stocks of merchandise on hand were lower in dollar volume at the end of the year than at the beginning. The average dropped from \$403,006

to \$384,452 by the end of 1949. Stock was sold and replaced 2.70 times during the year. (See Table 3)

Comparison of 1947 and 1949 Results

The 1947 results, and those presented here for 1949, were obtained from the same 10 firms. The main operating items are summarized below in comparative form. Gross profit increased from

32.57% of sales in 1947 to 35.11% in 1949. Relatively higher operating expenses produced lower net profits in 1949 - 4.03% of net sales compared with 7.83% in 1947.

Main Operating Results Items for 1947 and 1949 Compared

(Items expressed as percentages of net sales)

Item	1947 (10 firms) %	1949 (10 firms) %
Gross profit	32.57	35.11
Operating expenses:		
Salaries	13.72	12.11
Occupancy	2.31	4.79
Advertising	3.04	4.69
All other	5.67	9.49
Total operating expenses	24.74	31.08
Net profit without other income and before income tax deduction	7.83	4.03

TABLE 3. Operating Results of Chain Furniture Stores, by Size of Firm, 1949

Item	Firms with 1949 sales of		Total, all sizes
	Under \$750,000	\$750,000 and over	
Number of firms	4	6	10
Number of stores operated.....	16	49	65
Average sales per firm \$	489,971	2,406,920	1,640,141
Average cost of goods sold \$	341,517	1,546,208	1,064,332
Average inventory per firm:			
Beginning of year..... \$	133,210	582,869	403,006
Percent of net sales	27.19	24.22	24.57
End of year..... \$	120,414	560,476	384,452
Percent of net sales	24.58	23.29	23.44
Stock turnover (times per year).....	2.69	2.70	2.70
PROFIT AND LOSS DATA (Percent of net sales)			
Gross profit.....	30.30	35.76	35.11
Operating expenses:			
Salaries-executives	3.09	2.19	2.30
-other employees	11.43	9.59	9.81
Employees' benefits	0.11	0.24	0.23
Occupancy.....	3.49	4.97	4.79
Taxes ¹	0.22	0.24	0.24
Repairs ¹	0.86	0.68	0.70
Depreciation ¹	0.61	0.68	0.67
Supplies.....	1.15	2.46	2.30
Heat, light and power.....	0.54	0.55	0.55
Advertising	2.07	5.05	4.69
Travelling.....	0.20	0.20	0.20
Communication	0.27	0.24	0.25
Bad debt loss.....	0.42	0.58	0.56
All other expenses	3.13	3.88	3.79
Total operating expenses.....	27.59	31.55	31.08
Net operating profit	2.71	4.21	4.03
Other income:			
Discounts earned	0.05	0.21	0.19
Interest earned.....	0.03	0.23	0.20
Financing charges.....	0.95	2.43	2.26
Bad debts recovered	0.17	0.11	0.12
Other.....	0.20	1.03	0.93
Total other income	1.40	4.01	3.70
Total net profit before income tax deduction	4.11	8.22	7.73
Income tax.....	1.14	2.34	2.20
Final net profit.....	2.97	5.88	5.53

1. Excludes amount attributed to real estate which is in occupancy expense.

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